

Message Text

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SUBJ: SASOL II COAL-TO-OIL PROJECT

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UNDER HEADLINE READING SASOL II STIRS US TO RETHINK SA POLICY,
KEN OWN STORY IN JOHANNESBURG STAR OF JANUARY 28 READS:
QTE: WASHINGTON. THE HUGE CONTRACTS BEING OFFERED ABROAD FOR
THE SASOL 2 COMPLEX HAVE PROVED STRONG BAIT FOR THE US, AND
THE GOVERNMENT HERE HAS BEGUN A TOP-LEVEL REVIEW OF ITS DECADE-
OLD BAN ON DIRECT GOVERNMENT CREDIT FOR EXPORTS TO SOUTH AFRICA.

THE RESTRICTIONS ON CREDIT AND ON INSURANCE TERMS WHICH CAN BE
OFFERED TO SOUTH AFRICA BY AMERICA'S EXPORT-IMPORT BANK DATE FROM
1964, AND ARE ONE OF THE TWO MAJOR REMAINING DISCRIMINATORY
SANCTIONS IMPOSED ON THE SOUTH AFRICA BY THE US.
THE SECOND IS THE ARMS EMBARGO. BUT A THIRD-- RESTRICTIONS ON
CAPITAL EXPORTS-- HAS FALLEN AWAY IN A GENERAL POLICY CHANGE
IN THE PAST TWO YEARS.

IN 1972 THE NIXON ADMINISTRATION EASED THE RESTRICTIONS
MARGINALLY, ALLOWING EXIMBANK TO PROVIDE 10-YEAR INSURANCE FOR
A 48M DOLLAR COMMERCIAL LOAN TO COVER THE EXPORT OF DIESEL
LOCOMOTIVES TO SOUTH AFRICA. THE PREVIOUS CEILING HAS BEEN
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FIVE-YEAR INSURANCE.

BIG CHANGE

THIS TIME, HOWEVER, EXIMBANK IS ASKING THE NATIONAL SECURITY COUNCIL TO APPROVE A MAJOR MODIFICATION OF THE ARCHAIC KENNEDY-EAR POLICY.

THE RECENTLY RETIRED DIRECTOR OF EXIMBANK, MR. WILLIAM CASEY, TOLD ONE MEMBER OF CONGRESS THAT HE HAD URGED THE POLICY REVIEW BECAUSE CONTRACTS OF THE MAGNITUDE AT STAKE IN SASOL 2 MERITED " A REVISION AND LIBERALISATION OF THE GUIDELINES."

THE AMOUNT OF MONEY ACTUALLY AT STAKE IS A MATTER OF MUCH DISPUTE. THE CHICAGO BRIDGE AND IRON COMPANY PUT THE VALUE AT 2000 M DOLLARS, AND COMPLAINED TO CONGRESSMAN JOHN DENT OF PENNSYLVANIA THAT IT WAS LIKELY TO LOSE A CONTRACT WORTH ABOUT 100 M DOLLARS UNLESS EXIMBANK'S BAN ON DIRECT LOANS FOR SOUTH AFRICAN BUYERS WAS LIFTED.

THE COMPANY SAID IT WAS BIDDING ON A CONTRACT TO SUPPLY PRESSURE VESSELS, STORAGE VESSELS AND REACTORS, ADDING: " IT IS INCREASINGLY DIFFICULT TO COMPETE IN THE WORLD MARKET, PARTICULARLY WHEN OTHER COUNTRIES ARE PROVIDING LIBERAL FINANCING TERMS FOR THEIR OWN EXPORTS."

SOUTH AFRICAN OFFICIALS WILL SAY NO MORE THAN THAT THERE HAS BEEN A PRELIMINARY APPLICATION FOR EXIMBANK FINANCING TO COVER A " NORMAL COMMERCIAL OPERATION" INVOLVING SASOL-FLUOR. THEY ADD THAT MANY OF THE FIGURES BEING BANDIED ABOUT ARE " WILDLY INACCURATE."

WITHIN THE AMERICAN GOVERNMENT, HOWEVER, THE ISSUE IS REGARDED AS ANYTHING BUT A " NORMAL COMMERCIAL TRANSACTION." THE AMOUNTS OF MONEY AT STAKE HAVE CAUSED FIERCE PRESSURE FROM CONGRESS AND FROM THE BUSINESS COMMUNITY AT A TIME WHEN EVENTS IN THE UN AND A GENERAL MOOD OF ISOLATIONISM IN THE COUNTRY ARE MAKING IT MORE DIFFICULT FOR THE STATE DEPARTMENT TO ARGUE THAT COMMERCIAL CONSIDERATIONS MUST BE SUBJECTED TO IDEOLOGICAL BELIEFS.

ACCORDING TO ONE REPORT, THE ISSUE HAS BEEN REDUCED TO A QUESTION OF WHETHER THE GUIDELINES SHOULD BE SCRAPPED ALTOGETHER OR WHETHER A SINGLE EXCEPTION SHOULD BE MADE.

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THIS REPORT COULD NOT BE INDEPENDENTLY CONFIRMED BUT, IF TRUE, IT WOULD EXPLAIN WHY INFORMATION ON THE POLICY REVIEW HAS SUDDENLY LEAKED TO LIBERAL NEWSPAPERS IN THE US.

THE NEWSLEAK HAS THE HALLMARKS OF A LAST-DITCH EFFORTS BY OPPONENTS OF A POLICY CHANGE TO RAISE A POLITICAL FUSS THAT MIGHT REVERSE THE OUTCOME. UNQTE.

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